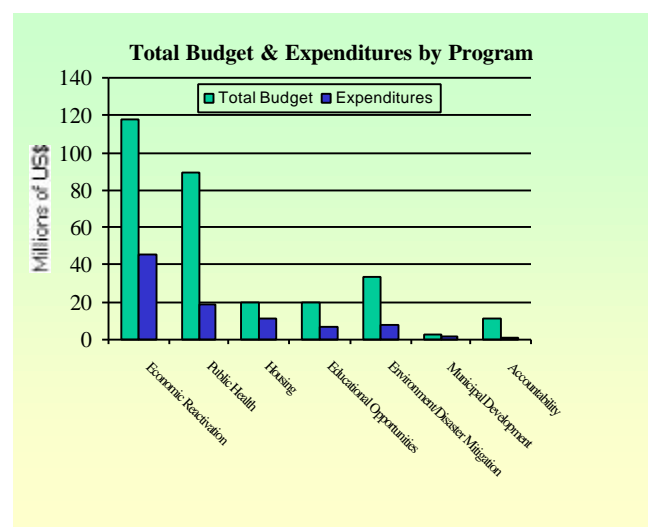
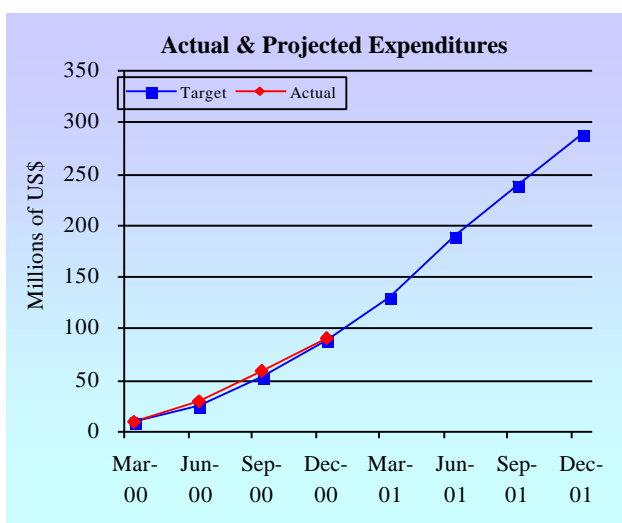


USAID Honduras Supplemental Reconstruction Programs

Response to Hurricane Mitch, October 1998

Status as of December 31, 2000

MAY 1999 SUPPLEMENTAL RECONSTRUCTION FUNDS (CACEDRF)	TOTAL BUDGET	OBLIGATIONS	COMMITMENTS	EXPENDITURES
	\$293,100,000	\$293,100,000 100%	\$270,695,399 92.36%	\$91,805,433 31.32%



Impact of Hurricane Mitch

Hurricane Mitch caused staggering levels of destruction and dislocation throughout Honduras. Five feet of rain fell on Honduras in one week, killing an estimated 5,000 people, temporarily dislocating up to half the population of six million and destroying the homes, farms, and businesses of tens of thousands of people.

Honduras President Carlos Flores said: "overall, what was destroyed over several days took us 50 years to build." This estimate includes economic losses at over \$4 billion. Transportation and productive infrastructure were severely damaged. The agricultural sector, which accounts for the majority of

Honduran exports, sustained nearly \$1 billion in losses. Much of the nation's social infrastructure such as water and sanitation systems, schools and health facilities was damaged and must be replaced.

Initial USAID Response

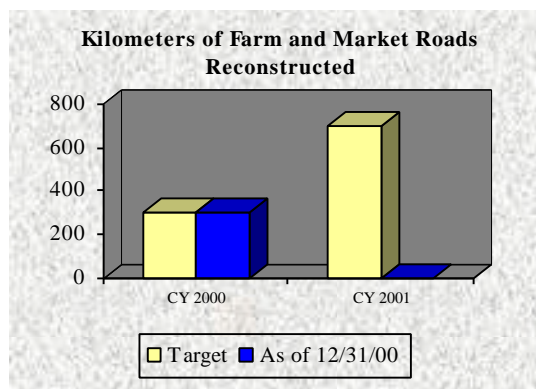
Right after Hurricane Mitch struck, USAID provided over \$27.8 million in immediate disaster and recovery assistance, including the repair of water and sanitation systems that most threatened an outbreak of disease. \$42.5 million of emergency food assistance was released. USAID also redirected an additional \$33 million in funding and food assistance to initiate reconstruction activities prior to the passage of the Supplemental Reconstruction appropriation .

Reconstruction Programs

Based on disaster assessments, pledges from other donors and an analysis of USAID's capabilities, USAID decided to use supplemental funds to support the following:

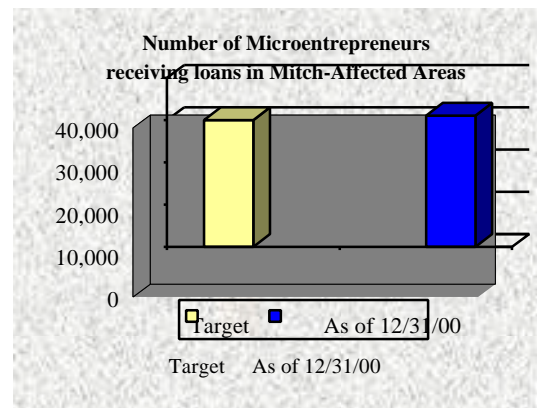
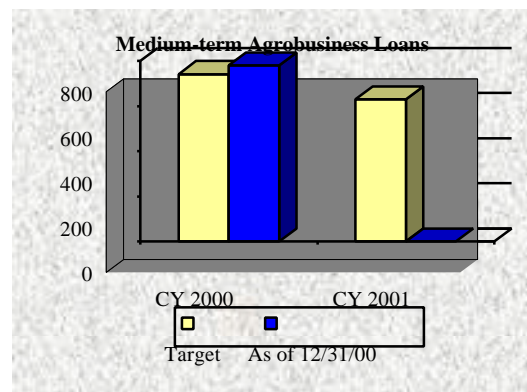
ECONOMIC REACTIVATION

Seventy to eighty percent of agricultural production was destroyed by Hurricane Mitch. To reactivate the agricultural sector, USAID is repairing or reconstructing 1,250 kilometers of farm-to-market roads and more than 2,000 meters of two-lane concrete bridges or low-water crossings. USAID is also providing \$56 million of credit and technical assistance to re-capitalize micro-finance institutions, permit medium-term lending to small and medium businesses in the agricultural sector, and to improve farmer know-how.



- **Roads and Bridges** –All contracts for road and bridge construction were signed as of July 31, 2000 for approximately \$47 million. A relatively mild rainy season allowed continued progress in road construction over the past six months. To date, reconstruction of 300 kilometers of rural roads has been completed and contractors are currently reconstructing an additional 448 kilometers. When finished, this program will join 375 communities connecting close to 2 million people with secondary cities and commercial centers.

- **Agricultural Credit** – \$28 million of USG-financed credit programs through commercial banks and NGOs are helping farmers to replace damaged water systems, buildings, fences, and machinery and buy equipment needed to rebuild their productive capacity as well as the planting materials and breeding stock needed to get started again. At this point USG-financed credit programs have provided 847 loans with over \$10 million in medium -term credit for small and medium agricultural producers.



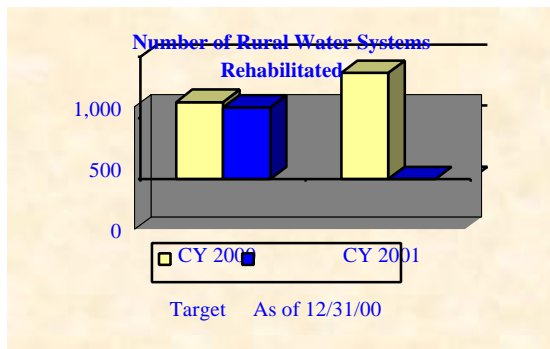
- **Microenterprise Credit** - The \$10 million program has already reached 31,049 microentrepreneurs. Their excellent repayment record and the ability of lending institutions to administer a high volume of loans has resulted in 57,637 loans being issued as of December 31, 2000 with over \$7 million expended.

- Agriculture Technology Transfer** – Working through NGOs and private sector partners, USG-financed programs are helping small farmers diversify their crops, use improved technologies to increase yields, and develop marketing techniques. These efforts to rebuild a better agricultural sector are contributing to increased productivity, employment and income levels among 24,000 coffee, plantain, dairy, cattle, bean, apiculture and poultry producers.

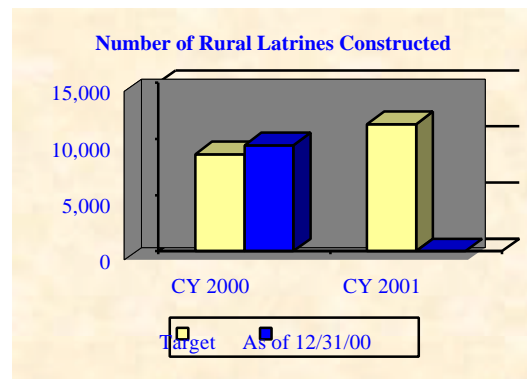
PUBLIC HEALTH

USAID has met its target of repairing 123 damaged health centers and re-equipping them with basic medical supplies.

The National Water Authority (SANAA), has completed reconstruction of 587 of the 1,469 rural water systems and 9,421 of the 20,000 latrines targeted, which will serve a population of 348,027. SANAA has completed one of 33 urban water systems while work is continuing on all of the remaining 32 systems.



- The Honduran Social Investment Fund (FHIS) has signed a total of \$41 million in host country contracts for other urban water and sanitation systems. 36 of 80 projects are currently under construction.



- The Center for Disease Control 's long term advisor arrived to assist in developing disease surveillance and information systems.

EDUCATIONAL OPPORTUNITIES

Hurricane Mitch damaged thousands of classrooms in hundreds of schools around the country. Many surviving schools became shelters for displaced families. Originally, USAID was committed to repairing 500 and constructing 200 new classrooms. With other donors taking the lead on repairs, USAID has shifted its focus to build 358 classrooms in new communities for people displaced from the high risk areas and to repair 190 classrooms. Non-formal, interactive, radio-based instruction at the 7th – 9th grade levels is being developed for teenage school dropouts and unskilled workers who lost their jobs as a result of Mitch and who will need higher educational and skills levels to find alternative employment in a post-Mitch economy. Former workers of banana plantations destroyed by Mitch are among the various groups who are benefiting from this program. Seven new vocational education facilities will also provide skill development for economic reactivation and reconstruction.

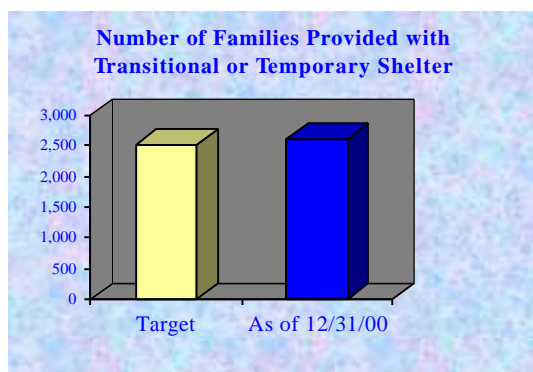
- Classroom Reconstruction** – Under the FHIS 358 new classrooms are being built and 190 classrooms are being repaired for a total of 548 classrooms. A total of 58 classrooms have been repaired and 7 new

ones have been built. All will be ready by December 31, 2001, in advance of the next school year which begins February 2, 2002.

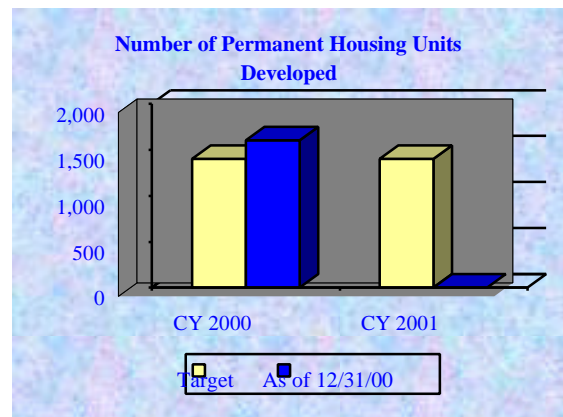
- **Alternative Basic Education Programs** – A 7th grade curriculum for the alternative basic education program EDUCATODOS (Education for All) is now being piloted in 30 sites.
- **Vocational Education** – Construction work has now begun on 3 vocational schools that will help develop the skills needed for reconstruction and transformation in Honduras.

HOUSING

In order to attend to both immediate and medium-term needs, the housing program targets both transitional and permanent housing solutions. The transitional housing initiatives are quickly winding down. Outside the capital, seven of the nine macro shelters that provided temporary shelter for 2,220 families have been dismantled (five this quarter) or rehabilitated as community or health centers. In Tegucigalpa, two of the four macro shelters have been dismantled. The permanent housing activities are expected to surpass the goal of providing 5,000 permanent solutions.



- Preliminary estimates indicate that over 1,600 housing units have been completed with another 2,875 under construction.



- Demand for starter homes (CHF Starter Home Program) has exceeded original expectations. As a result, CHF has been provided with an expansion of its cooperative agreement to provide for an additional 100 starter homes.

ENVIRONMENT & DISASTER MITIGATION

The hurricane highlighted major weaknesses in Honduran disaster management and response, which USAID - along with USGS, NOAA, and FEMA are improving. Much of the damage from Hurricane Mitch resulted from poor watershed management practices exacerbated by the lack of flood control infrastructure and flood warning systems. To stabilize the hillsides of critical watersheds in 34 municipalities, USAID is supporting local NGOs and the corresponding municipal governments in the implementation of sustainable management practices in 15,100 hectares of agricultural land and 18,500 hectares of forests. Additionally, micro-watershed management plans are being developed in 73,000 hectares to assist in the protection of the drinking water supplies of over 200 communities in these 34 municipalities.

- **Improved hillside agriculture and forestry management** -USAID and USDA completed the identification of the specific hillside areas that will come under

intensive conservation and management practices in the 34 municipalities.

- Eight local NGOs working on sustainable land management have already established 24 field offices staffed with 106 technicians to assist 4,000 farming families implement soil conservation practices; 1,700 families are already receiving assistance and 257,000 trees have been planted.
- **Disaster Response** –USAID/Honduras delivered equipment to improve COPECO's ability to process information and communicate with its regional offices and is in the process of purchasing radio-communications equipment to extend COPECO's national coverage. In January, USAID will initiate training to establish operating protocols for COPECO's Emergency Operations Center.
- **Early warning networks** - USGS and NOAA have installed an early flood warning system for the Choluteca watershed, including a system of rain gauges and stream flow monitoring stations, a data processing center within the National Weather Service (SMN), a flood watch program monitored by the Ministry of Natural Resources (SERNA), and a wide area network giving COPECO instant access to flood alert data.
- PADF installed community-based early alert systems in 8 micro-watersheds in 3 municipalities in the Aguan river basin.
- USDA and USACE have begun design work for flood control and land rehabilitation projects at 15 sites in the Aguan and Choluteca River Basins.

MUNICIPAL DEVELOPMENT

Municipal governments are at the forefront of reconstruction activities in their communities. USAID is helping municipalities implement reconstruction plans and address issues affecting reconstruction. Technical assistance and training are being provided to municipalities on issues related to reconstruction, restored financial health, urban development strategies and risk management.

- Reconstruction and development strategies have been executed for 30 municipalities, and 25 out of 28 municipalities have recuperated their income generation levels to their 1998 pre-Mitch levels.
- Sixteen municipalities have integrated emergency committees and prepared emergency plans. In addition 1,636 persons have been trained in disaster preparedness and emergency planning.
- USAID is working with local partners to promote municipal development through implementation of infrastructure projects focused on water, sewer and storm drainage problems. To assure the sustainability of USAID's water and sanitation investments, 21 studies have been finished to determine user charges and five new public service units have initiated operations.
- Community development and income generation activities are being executed in twelve new communities formed by the relocation of displaced hurricane victims. The International Organization for Migration surveys the business communities in the areas of these new communities to determine the labor/skill shortages and then offers a vocational training program to integrate these relocated people into the local workforce.
- HUD is assisting with municipal planning and housing issues in Tegucigalpa and San Pedro Sula.

ACCOUNTABILITY

USAID will sign an agreement next quarter with the Inter-American Development Bank to provide funding, along with other major donors, to establish an independent Project Inspector Program that will monitor GOH reconstruction activities. This program will help the GOH ensure that procurement and implementation actions are done in a transparent, timely, and efficient manner and that all technical specifications are met.

Assistance to the Honduran Controller General's (CG) office is also underway to help improve its ability to audit GOH reconstruction programs. The Mission's assistance to the CG includes the development of a public awareness campaign to help Hondurans better understand their rights and responsibilities vis-à-vis public sector transparency and accountability.

Commentary:

For the third quarter in a row, USAID has exceeded expenditure projections and expects implementation of the program to remain on track and finish within the time frame.